

**West Bengal: Strengthening Rural Decentralisation
Programme (SRD)**

Programme Memorandum

Government of India
Government of West Bengal
Department for International Development, UK

19 September 2004

Approved PM – Dec 04

ACRONYMS

AsDB	Asian Development Bank
CAP	Country Assistance Plan
CCA	Convergent Community Action
CBO	Community Based Organisation
CSO	Civil Society Organisation
DFID	Department for International Development
DPMU	District Programme Management Unit
DSRD	DFID Support for Rural Development
FIS	Financial Information System
Gol	Government of India
GoWB	Government of West Bengal
GP	Gram Panchayat
GTZ	German Technical Cooperation
GUS	Gram Unnayan Samiti (of Gram Sansad)
GS	Gram Sansad
HPI	Human Poverty Index
IFSL	Innovation Fund for Strengthening Livelihoods
IT	Information Technology
M&E	Monitoring and Evaluation
MIS	Management Information System
NGO	Non-Government Organisation
PBF	Performance Based Fund
PRDD	Panchayats and Rural Development Department
PRI	Panchayati Raj Institution
PS	Panchayat Samiti
SAP	State Assistance Plan
SHG	Self Help Group
SL	Sustainable Livelihoods
SPMU	State Programme Management Unit
SPI	Social Progress Index
SRD	Strengthening Rural Decentralisation
TA	Technical Assistance
VLI	Village Level Institution
WBSRDA	West Bengal State Rural Development Agency
ZP	Zilla Parishad

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1. SUMMARY AND RECOMMENDATION

- 1.1 The government of West Bengal has demonstrated sustained commitment to poverty reduction (proportion of the poor reduced from about 73% in 1973-74 to 32% in 1999-2000) through rural decentralisation and other pro-poor measures. Panchayati Raj Institutions (rural local bodies) in West Bengal are stronger than their counterparts in most other Indian states, and have contributed to halving of rural poverty between the mid-1970s and the mid-1990s.
- 1.2 However, in recent years progress on poverty reduction has slowed down. One of the main causes of this is weakness of the rural decentralisation structures and processes, particularly those relating to PRIs (also called Panchayats) and their support institutions. Benefits of key reforms introduced in the 1970s (e.g. land reforms) had begun to plateau by early 1990s. Population growth and new areas of responsibility assigned to PRIs have highlighted the problems of low capacities and wide jurisdictions of panchayats. The SRD programme will support GoWB's efforts to address these weaknesses that have constrained further poverty reduction since the early 1990s.
- 1.3 The **purpose** of the SRD programme is to secure more effective, accountable, pro-poor rural decentralisation. This programme focuses on further developing Panchayat capacity to deliver pro-poor rural development. Panchayats' ability to deal with issues of rural poverty in West Bengal is well established. Their enhanced capacities and redressal of other weaknesses of rural decentralisation in the state will further enhance the chances of the programme effectively contributing to the **goal** of sustainable reduction in poverty in the rural areas of the state.
- 1.4 Effectiveness of Panchayats has been constrained by their large jurisdictions, limited capacities, and meagre financial resources, particularly those not tied government schemes. Limited untied funds have reduced incentives for meaningful participatory planning. PRIs and several line departments operate in rural areas in an un-coordinated fashion, and have weak accountability mechanisms. Although GoWB has taken several measures (transfer of new development subjects to PRIs, introduction of structures at the village level to enhance poor people's voice, experiments with participatory planning etc) to strengthen Panchayats, it needs a clear and comprehensive vision supported by a road map for rural decentralisation.
- 1.5 These limitations and weaknesses will be addressed and the purpose of the SRD programme will be achieved through four interlocking outputs:
- *Output 1:* Effective preparation and implementation of a roadmap and linked policy actions to deepen rural decentralisation.

- *Output 2:* PRIs, line departments and support institutions have the institutional framework and capacities to operate more effectively in their decentralised roles.
 - *Output 3:* Pro-poor, participatory planning, implementation and monitoring systems established across PRIs.
 - *Output 4:* Resources enhanced and utilised for pro-poor local development in a cost-effective and environmentally sustainable manner.
- 1.6 The four outputs will be focussed on broadly two kinds of activities, which are seen as two programme components, both of which are based on performance-based funding principle:
- *Capacity Development Component* (up to £40m TA of which £38.8m to be funded from FA and £1.2m from TC) will focus on developing the appropriate policy framework for rural decentralisation. It will also include strengthening the “voice” of the poor people and enhancing “responsiveness” of the PRIs, the support institutions and the relevant line departments. Key activities under this component will include development of policies and planning processes, social mobilisation and participation, enhanced resource mobilisation; improved financial management and fiduciary risks management; identification and support of new livelihood options and social protection mechanisms. These activities fall under outputs 1, 2, 3 and part of output 4.
 - *Untied Poverty Fund* (up to £90m FA), meant for direct financial support to the implementation of participatory and pro-poor gram sansad and gram Panchayat plans, through a *Untied Poverty Fund* (£80m) which will be provided directly to about half of the gram Panchayats which are resource-poor and about one-third of the gram sansads which are the poorest, for a period ranging from three to five years; and a competitive *Innovations Fund* (up to £10m) available to a wide range of stakeholders state-wide. These activities fall under output 4.
- 1.7 Twenty million poor rural people in West Bengal will directly benefit from this programme. Panchayats, their support institutions and some key line departments will also benefit from significant capacity enhancement.
- 1.8 It is recommended that the Secretary of State approve DFID support of up to £130 million for Strengthening Rural Decentralisation in West Bengal from year 2004 to 2011.**
- 2. PROGRAMME LOGICAL FRAMEWORK**
- 2.1 Please see Appendix 1. Logframe indicators will be further developed during the detailed design work, which will be completed before year 1 of the SRD programme.

3. PROGRAMME RATIONALE

3.1 Background

- 3.1.1 **West Bengal has demonstrated commitment to decentralisation to elected local bodies**, regularly holding elections for Panchayati Raj Institutions (PRIs) for the last 25 years. This along with successful land reforms and widespread application of modern agricultural technologies has resulted in significant progress with poverty reduction in the state. Rural poverty declined dramatically from about 73% in 1973-74 to 32% in 1999-2000. In recent years, however, there has been a marked slow down on progress in poverty reduction. The state has remained ranked eighth among 15 major Indian states on non-income poverty indicator during the last 20 years. There are also significant intra-state regional and social variations in these indicators, and Scheduled Castes, Scheduled Tribes and women remain among the most vulnerable. About ninety percent of the poor live in the rural areas of the state.
- 3.1.2 **Several factors have contributed to slower progress since the 1990s** on human development and poverty reduction in West Bengal. Growing population, limited opportunities, and fiscal stress of the Government of West Bengal (GoWB) have constrained economic growth and effective improvements in service delivery. Effectiveness of service delivery in key public services has been hampered by: weak incentives, poor accountability of line department staff working in rural areas, poor outreach in remote areas, limited financial and other resources for delivering government programmes, and absence of effective “voice” mechanisms to generate demand for improved services.
- 3.1.3 **GoWB regards rural decentralisation as the key framework to improve service delivery, and this is backed by national and international experience.** West Bengal expects to do this by enhancing citizens’ voice and improving accountability order to reach its development targets (see box item below). This conviction is based on state’s own experience of reducing rural poverty through more empowered PRIs in the 1980s, and encouraging results from other initiatives like informal schools set up under Gram Panchayats in recent years. Effective decentralisation leading to improved service delivery is an important means for GoWB to achieve its 10th Plan targets. This approach is supported by a number of national and international experiences and studies, which see a significant link between decentralisation and service delivery. The World Development Report, 2004 with the theme of ‘Making Services Work for Poor People’ provides some good analysis of links between decentralisation and improved service delivery. But there remain significant challenges in West Bengal. The state now wishes to devolve more powers and resources in new areas (like primary education, primary health, water and sanitation) to PRIs to achieve more pro-poor and effective service delivery is one of the key foundations of this proposed programme.

In a country as big and as diverse as India, anti-poverty programmes must be facilitated by democratic decentralisation whereby local government institutions (LGI) participate in development activities. Several successful attempts were made to empower the rural local government bodies (Panchayats). Currently, a massive project is underway to strengthen Panchayats and make them more responsive, participative and accountable. The impact of decentralisation on poverty alleviation has been immense. Among other benefits, infrastructure was improved and women's social and financial role was promoted. In some states, the transfer of power to LGIs was more difficult than in other states for a variety of social, political and legal factors. This suggested that, in order to succeed, LGIs need various types of support from the superior-level government in terms of constitutional protection. By and large, however, India's experience strengthens the hypothesis that poverty alleviation efforts are facilitated by democratic decentralisation of service delivery. **Quote from a case study prepared for the Shanghai poverty conference, May 2004**

3.1.4 Decentralisation acquires further importance given the sheer size and scale of challenges facing West Bengal. The state consists of 18 districts and has a population of over 80 million. Districts have three tiers of elected Panchayats each with a five-year term (district level – Zilla Parishad; block level – Panchayat Samiti; and village cluster – Gram Panchayat; together called PRIs). Each Gram Panchayat looks after 10 to 15 villages, with an average population of 10-15,000. There are 17 Zilla Parishad, over 300 Panchayat Samitis, and over 3,300 Gram Panchayats in the state. In keeping with the principle of 'subsidiarity' (see Annex 1 for details) programmes covering more than one village fall within the remit of the next higher tier in the structure, and so on. During elections held in 2003, over 60,000 members were elected to the PRIs in the state, and they belong to various political parties. Thirty per cent reservation of seats for women and proportional representation for the Scheduled Castes and Scheduled Tribes exists in all Panchayats are important measures of affirmative action and addressing social exclusion. Most of the revenue raising powers is concentrated in the lowest tier (Gram Panchayat). They also have limited but growing role in delivering primary health, primary education and sanitation services. However, currently resources are provided for implementing some of the central rural development schemes, which is the main business of PRIs.

3.1.5 While GoWB places a lot of emphasis on the role of PRIs in improving service delivery, it is also conscious of the need to address their weaknesses. It recognises that effectiveness of PRIs has been constrained by their wide jurisdictions inhibiting participation of the poor; limited financial resources; low planning and management capacities, including financial management; weak accountability systems; inadequate transfer of many development subjects to PRIs; and, the issue of "elite capture" within the Panchayats. Recognising these constraints, GoWB launched a drive in 1999 to strengthen rural decentralisation by establishing bottom-up participatory planning processes under the Convergent Community Action (CCA) pilot

initiative, and by progressively increasing funds to support the bottom-up planning. Encouraged by its positive results, GoWB decided to replicate the CCA planning process across all GPs in the state. At this stage GoWB approached DFID for partnership in this venture.

- 3.1.6 **GoWB's decentralisation road map, when approved, would provide the overall framework within which the SRD programme will operate.** A DFID-funded scoping study, commissioned in May 2001, recognised the above constraints and confirmed the overall success of the CCA pilots in involving poor villagers in preparing GP-level development plans. Based on the findings of this study and DFID-supported design work for this Strengthening Rural Decentralisation (SRD) programme, GoWB has embarked on a state-led process for deepening rural decentralisation, and sees DFID support for SRD as an important means of delivering on its plans. The Panchayat & Rural Development Department (PRDD), the nodal department for rural decentralisation (and SRD) is seeking Cabinet approval for a plan (road map) to operationalise GoWB's earlier decision to transfer 29 development subjects to PRIs. The proposed plan gives priority to devolution in respect of primary healthcare, school education women and child development, agriculture, animal resources, cottage and small industries and fisheries. It has suggested mechanisms to prepare a timetable for devolution. Effective devolution of these subjects to PRIs will not only reduce some of the existing responsibilities of the line departments but will also free up their time for policy formulation, capacity building of PRIs and integration of the Panchayat and line department planning and implementation processes.

3.2 Policies

- 3.2.1 **The rural decentralisation process in India is backed by strong Constitutional provisions,** enabling policies and congruent programmes at the national and state-level. The 73rd Constitutional Amendment Act, enacted by the national Parliament, went a long way in empowering PRIs and in strengthening the participation of women and other weaker sections in Panchayats. Many state have since enacted enabling legislation for strengthening decentralisation. In West Bengal, the Panchayat Act, 1973 (amended from time to time) provides a strong basis for rural decentralisation. (Gram Unnayan Samiti) to mobilise mass participation and to facilitate preparation, implementation and monitoring of holistic village plans is a pioneering move in India. The new Central government has also placed a lot of emphasis on re-energising and facilitating states to deepen the decentralisation process. Decentralisation is seen as a key vehicle to implement the new government's emphasis on improving service delivery. With this in view a new dedicated Ministry of Panchayats has also been established at the Centre.
- 3.2.2 **Although West Bengal is ahead of most other states in decentralisation,** it is still some distance away from complete implementation of the Constitutional

Amendment Act. The objectives of this Strengthening Rural Decentralisation (SRD) Programme are directly linked with GoWB's 10th Five Year Plan, particularly priorities to meet its development targets, overcome dominance of the rural poor by the rural elite, consolidation of decentralisation and empowerment, and ensuring people's participation in planning and implementation processes. In compliance with the constitutional requirements, GoWB set up the State Finance Commission to recommend devolution of funds to the PRIs, and made a good beginning by allocating Rs 100 crores (£15m) in 2000-01 as untied funds to PRIs. But this could not be continued due to significant deterioration in state's overall financial condition (see Financial Management and Fiduciary Risk appraisal for details).

- 3.2.3 **The SRD programme fits very well with the objectives of the recently launched DFID' India Country Assistance Plan (CAP).** The programme is based on the presumption that improved local governance will significantly improve service delivery and in turn positively impact on poverty and achievement of the MDGs in the state. Fad's new State Assistance Plan (SAP) for West Bengal (yet to be approved) places considerable importance on successful decentralisation not only as a desirable outcome in its own right, but also as crucial to the success of other DFID-supported programmes in health and education sectors. A counterpart programme on the urban side with urban local bodies (Kolkata Urban Services for the Poor Programme) was approved by DFID in 2003. The SRD programme is closer to being programmatic-type support than more traditional rural development projects in India. It envisages a significant proportion of resources being passed on as fast-disbursing programmatic support, based on fulfilment of agreed performance criteria.
- 3.2.4 **This programme represents the next generation of rural development programmes** supported by DFID (and other donors) in India (see also Section 3.5). The first-generation of DFID-supported rural development programmes had an emphasis on innovative natural resources management, and were institutionally managed by agencies outside mainline government Departments. In the mid to late 1990s, DFID's new rural programmes adopted a broader Sustainable Livelihoods approach but with continuing focus on natural resources management, and were institutionally housed within the Rural Development Departments. Like the earlier generation of programmes these programmes also emphasised participatory planning processes, and used informal people's self-help groups for mobilising the community and for planning and delivery of services. The sustainability of these groups is a risk, and these programmes had only a peripheral engagement with the elected local bodies in the villages (PRIs). The SRD programme builds upon the experience of these and other programmes, and provides for a wider range of basic services to be supported, and institutionally works through sustainable elected local governments, while bringing in the strength of previous programmes in having smaller village-level groups as the basic unit for participatory planning.

3.2.5 This programme builds upon the experience of donor programmes in India. Although AsDB, GTZ, and the World Bank have some involvement in the state, only UNICEF has made modest investment in rural decentralisation so far. The World Bank has programmes on rural decentralisation in some other Indian states, and has just begun to engage in this area with West Bengal. Depending on how this dialogue develops, there exist opportunities for harmonising with the efforts of the World Bank. The SRD design consists of good practice from other donor programmes.

3.3 Programme Approach

How will the programme deliver its objectives?

3.3.1 The **goal** of the SRD programme is to sustainably reduce rural poverty and improve key human development indicators in West Bengal. The **purpose** is to achieve more effective, accountable and pro-poor rural decentralisation in the state (see Annex 1 for details). The earlier section has explained why rural decentralisation is key to reduce poverty and to deliver more effective services. The outputs of the SRD programme will work at three levels to deepen the decentralisation process in the state: strengthen the overall policy environment for effective decentralisation; provide tailored and focussed capacity building support for PRIs and others to deliver on their new mandates effectively; and, provide untied resources to help PRIs leverage more resources to implement their participatory plans.

3.3.2 This project is intended to contribute to the reduction of poverty by empowering Panchayati Raj Institutions (PRIs) to enable them to be more participatory, accountable and pro-poor. GoWB is already engaged in an ongoing process of decentralisation, as described in the Institutional and Governance Appraisal (Annex 3). The SRD programme with support from DFID can therefore be seen as an additional support to GoWB's own plans of strengthening rural decentralisation. This will be achieved by four outputs:

- effective preparation and implementation of a roadmap and linked policy actions to deepen rural decentralisation.
- strengthening the capacities of PRIs and support institutions through sustainable structure and institutional adjustments and changes in policies and processes;
- strengthening pro-poor planning, implementation, monitoring and accountability processes for sustainable pro-poor local development; and
- enhancing local resource mobilisation and reorganising financial flows.

3.3.3 A combination of statewide and phased district-wise interventions will be used to ensure that the programme remains manageable. It will act statewide to amend the existing legislation and policies, and introduce new structures and

processes, including strengthening financial accountability. It will also support statewide communication and consultation processes and cascade training activities. The programme will work intensively with Panchayats and line Departments at all levels, and in all districts but this will be done in a phased manner. The programme will work in six districts simultaneously in each of the three phases, starting with the poorest districts. This will allow sufficient time to work with local communities and institutions in the poor districts. The programme will address the need for stronger integration of planning processes from village, district and state levels (initially on an exploratory basis, before being scaled up). This will be done by close collaboration between the PRDD and Development Planning Department.

3.3.4 The phasing of the programme is linked to achievement of agreed milestones, and graduation from one phase to the other will be based on independent reviews. The programme will consist of three phases. The first (inception) phase will operate through Year 2, the second phase will start from Year 3, and the third and final phase will start from Year 5. There will be important external reviews at the end of Year 2 and Year 4 (see Table below), which will determine the nature of support for the ensuing phase.

Key Milestones For Deepening Decentralisation and for SRD Programme

SRD Component	By start of SRD	By end of Year 2	By end of Year 4
Policies	Draft Road map on Devolution	Approval and Steady progress in implementing roadmap	Continued positive assessment of policy environment
Programme Components	Capacity building strategy appraised and approved	Independent review confirms good progress in implementing CB plan	Release of CB funds linked to performance
	Scope of UPF Agreed	UPF Performance criteria effectively implemented	Same as previous column
	Management arrangements in place	Management arrangements functioning well	Same as previous column
Institutional Strengthening	Continued progress in the following areas (effective benchmarks to be developed): PRIs planning and pro-poor orientation, administrative capacity of PRIs, level of service delivery and fiduciary risks.		
Revenue Review	See Appendix 2, 3	See Appendix 2, 3 Independent Review of SRD	See Appendix 2, 3 Independent Review of SRD

3.3.5 There is a strong focus on performance-based funding in the programme, which should improve motivation for good performance, and mitigate some of the programme risks. Two performance-based programme components support the achievement of the four outputs: capacity building / institutional development (up to £40m based on preparation of a credible Capacity Building (CB) / Institutional Development (ID) plan and effective progress in implementing the plan); and Untied Poverty Fund – UPF (up to £90m based on achievement of clearly articulated performance measures). The UPF will be fast disbursing programmatic support, based on achievement of agreed revenue

and performance targets, and effective utilisation of funds provided under the programme. The mechanism / formula for devolving UPF funds to different Panchayats will be developed before implementation begins.

- 3.3.6 **At the same time there is a lot of emphasis on building capacities at all levels**, especially where such capacity is weak. Among the participating districts there will be tailor-made capacity building / institutional development inputs being provided to each Gram Panchayat (GP) and Gram Sansad (GS) (with more intensive strengthening support being provided to 50% of the poorest Gram Panchayats (GP) and 35% of the poorest Gram Sansads). Once the GPs and GS' have demonstrated that they have benefited from the CB/ID support, they will be able to access the Untied Poverty Fund against bottom-up plans, which have been appraised against agreed criteria. Although details of the criteria and eligible expenditures under UPF are being worked out as part of the ongoing detailed design activities, it has been agreed that the criteria will insist on evidence of: participation of the majority of GUS members, including the poor and the disadvantaged in the plan preparation (participation includes chairing by the poorest groups in appropriate cases); allocation of specific and proportionate resources to livelihoods strengthening activities and provision of basic unmet services for the poorest and the most marginalised (shift from the current emphasis on infrastructure); approval of the plans at a Gram Sansad meeting; wide awareness of the plan contents and priorities; level of convergence with other activities of the concerned PRI; and, level of community contribution (monetary and non-monetary). There will also be a list of non-eligible items of expenditure for use of the UPF. The above criteria will be 'entry-level requirements' for GPs to access the UPF.
- 3.3.7 **A key indicator of sustainability would be having a steady source of untied funds for PRIs** even after the programme ends. As shown in the attached Appendix 2 disbursement of roughly 50 per cent of UPF will be linked to progressively increasing local contribution (PRIs own revenues and state provision) to untied funds in the hands of PRIs. This should provide a major incentive for strengthening the revenue improvement measures of PRIs. The criteria given in Appendix 2 will be reviewed at the end of the inception phase (Year 2) and mid-term review, and on other occasions as required (especially after the report of the 12th Finance Commission is available, which is expected to recommend new resource transfer arrangements to PRIs). It will also be reviewed when better quality information on PRI finances becomes available.
- 3.3.8 **Target districts, GPs and Gram Sansads will be selected on the basis of the existing poverty data supported by participatory poverty surveys**, and on performance, which will be supervised by the Poverty monitoring and Evaluation Unit of the State Programme Management Unit (SPMU). For GPs, which have qualified for support under UPF, support in subsequent years will be dependent on evaluation of performance and outcomes from previous support. Although this programme will cover all three tiers of PRIs, more funds and attention will be focussed on GPs and Gram Sansads. The SPMU will also

oversee a concurrent evaluation of the programme, which is an important component of the SRD programme.

3.3.9 There is emphasis on supporting innovations in the programme. An Innovation Fund for Strengthening Livelihoods (IFSL) will be directly managed by the Programme Management Unit, and will be used to support innovation, address issues critical to the programme success and to meet new needs that may arise as the programme progresses. Unlike the main UPF, this fund will be available to a wider cross section of stakeholders on a competitive basis and will not be restricted to targeted districts and sub-district units. Detailed criteria for use of this fund will be agreed before the programme implementation begins.

3.3.10 The capacity building component was strengthened during project design, to address key weaknesses including, though not limited to, fiduciary risks. The management arrangements for the capacity building component are detailed in Annex 1. But it was agreed during appraisal that further work will be required on this component before DFID can commit resources to it. The CB / ID plan is currently being revised, and will only become operational after it has been successfully appraised and approved by Director (Asia), in DFID. Therefore, with this submission only an in-principle approval is being sought for upto £40m of CB support, but based on the approach to capacity building set out in Appendix 3. The detailed CB / ID plan will also spell out the performance criteria on the basis of which the capacity building funds will be released. It will also present two options for the CB / ID programme – in terms of what a £40m CB / ID programme can deliver, and what a smaller £20m CB / ID programme can deliver. The approval process and subsequent reviews will provide the opportunity to revisit the plan for the CB / ID component.

Why are we doing the programme this way?

3.3.11 Options like supporting sectoral initiatives at higher levels of government (state and centre) would have been insufficient by itself to deliver on the goal in the context of West Bengal, where there is a lot of emphasis on decentralised governance as the key means for improving service delivery and strengthening accountability. The programme importantly seeks to build upon existing systems in the state, instead of supplanting them with new and inappropriate systems and approaches. The programme seeks to improve the delivery of services by strengthening, instead of bypassing, the duly elected local governments (which as mentioned earlier have the Constitutional mandate to deliver basic services). It strengthens local accountability and improvements in service in service delivery in a more direct manner. At the same time it combines the strengths of previous rural development efforts by focusing on bottom-up planning and using informal community groups as the basic unit for planning. Given the particular challenges with regard to the non-income poverty indicators in West Bengal, working through the PRIs allows a broader-based interventions and not confining to only improvements in livelihoods.

3.3.12 The appraisal process concluded that capacity building and untied poverty funds were interdependent, each without the other, will produce only limited and short-term success. The other key elements of programme design are: a strong Performance Based Funding (PBF) system; continuing performance monitoring systems during the life of the programme; and, effective communications strategy to strengthen participation and accountability of elected representatives. The programme consciously avoided the option to work only on the demand (voice) or the supply side (responsiveness). The SRD programme envisages a gradual transfer of responsibilities from the line department to PRIs. This will ensure that devolution of responsibilities will go hand in hand with transfer of necessary resources and capacities.

What would happen without the programme?

3.3.13 Without the programme GoWB's efforts towards deepening decentralisation and improving service delivery would be undermined. Effective decentralisation to elected local bodies would continue to be constrained, and stronger accountability systems would still be lacking. The opportunity to address multiple vulnerabilities of some of the poorest and most vulnerable in rural West Bengal will be lost. The Panchayats will continue as under-funded and ineffective institutions, unable to respond to local needs and priorities, or to mobilise other government, non-government and private sector institutions to respond coherently to local needs. The state government line departments will continue to operate in sectoral silos to implement top-down plans, Panchayats will have no incentives to support bottom-up plans integrated with the department plans and budgets. Without social mobilisation to achieve voice at the local level, the demands and needs of poor and vulnerable rural people will continue to be unknown or ignored, and development initiatives, infrastructure and service provision will continue to be directed towards the priorities of the less poor and more articulate. GoWB with their limited financial resources will continue to support piecemeal decentralisation measures without being able to create sustainable momentum for comprehensive change. And PRIs will remain critically dependent on GoWB and Gol to meet their funding needs.

What are the expected benefits?

3.3.14 The programme is expected to lead to significant improvements in key human development indicators, and reduction in the proportion of the people below the poverty line. Poor people's opportunities to take charge of their development will be significantly increased. PRIs, whose main role at the moment is to implement Gol schemes, will emerge as institutions of self-governance (more and sustainable financial resources, management capacities, and greater confidence in managing their new roles). Accountability and responsiveness of the service providers will be enhanced through transparent processes involving key stakeholders. It will also provide a good and effective model of decentralisation for other Indian states.

How will the benefits be sustained?

3.3.15 **DFID is supporting an ongoing programme led by the state government.**

SRD is not a DFID invention. GoWB's commitment to decentralisation is well established and is likely to continue. The delivery of SRD programme mostly depends upon permanent and sustainable institutions. The Constitution of India protects PRIs, and public opinion at the state level supports their empowerment. This should ensure that strengthening PRIs and their support institutions would remain a viable long-term objective in West Bengal. The emphasis on decentralisation by the new government at the centre (GoI) would also create a conducive environment. The SRD programme will try to bring about change through institutional strengthening, and not through ad-hoc provision of inputs. This approach is more likely to produce sustainable benefits. A combination of effective communication and raised awareness as a result of programme activities, establishment of bottom-up planning processes for PRIs, and new policy platforms over the seven-year period will ensure that the needs of poor and vulnerable rural women and men remain on the state policy agenda during and beyond the life of this programme.

3.3.16 **One of the key programme objectives is to bring about sustainable increase in the financial resources available to Panchayats.**

Linking of the Panchayat planning processes with the line department planning and budgeting processes will ensure long term increase in the responsiveness of the Panchayat and line departments to the needs of the rural poor. Not only that panchayats' powers and capacities for own revenue mobilisation will increase under this programme, release of DFID's funds will be linked to GoWB/GoI commitment to provide increasing untied funds to PRIs. But the critical nature of state finances in West Bengal is a key risk to the programme (see Risk Appraisal). But GoWB's commitment to decentralisation, and the government's initial efforts towards stabilising its finances should help ensure longer-term financial sustainability. But the potential to strengthen the panchayat's own revenue performance provides greater chances of ensuring sustainability.

Options for review and change during implementation

3.3.17 **The programme is designed to respond to new needs and demands,** which emerge over its lifetime. The design offers numerous opportunities for review and change, significantly during the independent reviews at the end of Year 2 and Year 4 as also on other occasions. At the end of Year 2, DFID will seek Secretary of State's approval for proceeding with the programme. The programme will be reviewed annually through various means including direct interactions with stakeholders and beneficiaries who will be able to identify successes and problems experienced, and consider options for modifying the various components. A strong concurrent monitoring system supported by the SRD programme underpins the proposed review mechanisms for the programme.

3.4 Appraisal Issues

Institutional Appraisal (Annex 3)

- 3.4.1 The programme capitalises on some key institutional strengths, which derive from the positive policy environment and the long track record of commitment and experience on decentralisation in West Bengal. However, the sheer scale of operation and number of institutions which need to be engaged in change presents a major challenge to the capacities of officials and volunteers alike, and a degree of resistance from vested interests at all levels, combined with the funding constraints caused by the current fiscal crisis, presents the greatest institutional risks to programme success.
- 3.4.2 The programme design has taken these risks into account and includes measures to deal with such risks. Decentralisation has made progress so far in spite of pockets of resistance. Led by the Chief Minister and a cabinet committee, armed with a strategic road map to further devolution to PRIS, and equipped with a detailed capacity building plan, the SRD programme is likely to effectively manage such resistance.
- 3.4.3 At present, expectations are relatively high, but confidence will wane if progress is not visible across the state. This will require change on a number of fronts simultaneously: increased devolution of funds will not, of itself, transform Panchayat effectiveness unless questions of mandates, powers, systems and capacity building are addressed at the same time. However, an evolutionary rather than revolutionary process is envisaged: although the programme must make early progress at the grassroots level, at least in some locations, a longer-term policy and strategic planning dialogue is envisaged in pursuit of state-wide change.
- 3.4.4 An important driver for change in West Bengal is the generally-shared view, at all levels of society, that further decentralisation is politically, economically and socially desirable and feasible. There is considerable evidence to show that rural decentralisation is the most appropriate institutional vehicle to deal with the constraints to service delivery that have a significant bearing on the MDGs for West Bengal. The state government's strong commitment to poverty reduction as well as decentralisation is a significant strength of the SRD programme. The recently held general Panchayat elections (sixth in succession) also create an opportunity for a 'fresh start'. A key driver for change will undoubtedly be increasing levels of funding flowing through Panchayats: this is the key incentive to achieve full engagement of elected representatives and cooperation of line departments.
- 3.4.5 Despite the enthusiasm to move rapidly, embedding sustainable systems by which Panchayats at all levels become genuine institutions of self-government will be a long-term process – certainly beyond the lifetime of the proposed SRD Programme. Until that point is reached, the state must be prepared to continue to allocate significant resources to capacity-building programmes. The inevitably lengthy timescale to achieve effective empowered direct participation and significant local resource mobilisation mean that progress will be patchy.

The establishment of quantitative targets against the SRD programme Logframe Verifiable Indicators at inception must reflect this: in particular, sustainability and poverty impact expectations must be realistic.

Social Appraisal (Annex 4)

- 3.4.6 Poverty in West Bengal is primarily a rural phenomenon. According to NSSO 32%¹ of the rural population is below the income poverty line. This implies that every third person in rural West Bengal is poor. However, the Below Poverty Line (BPL) survey² carried out by PRDD pegs rural poverty higher than the NSSO estimates at 45%. In rural West Bengal, the Scheduled Castes (SC) and Scheduled Tribes (ST) along with religious minorities specifically the Muslims, constitute majority of the poor. They fare poorly across most human development indicators. Within these social groups, women and girls in particular are further disadvantaged with increasing gender gaps across key human development indicators.
- 3.4.7 Historically, decentralisation has played a critical role in political empowerment of the poor. Reservations for SC and ST across PRIs since 1978, along with regular elections have institutionalised their participation in grass-root political processes of the state. However, their political participation has not led to a concomitant increase in their control over the PRI institutions and more specifically the policy-making processes.
- 3.4.8 In this context, the social appraisal envisages SRD as a driver for change to address structural constraints to poverty reduction in rural West Bengal. Strategies for this include: strengthening the Untied Poverty Fund (UPF) to deliver pro-poor outcomes, strengthening PRI plans to reflect priorities of the poor and institutionalising a comprehensive framework for poverty monitoring.
- 3.4.9 One of the imperatives for the UPF to deliver pro-poor outcomes relates to efficient targeting of poor households. With BPL survey being the organising framework for targeting these funds, under the SRD programme, DFID will support the Department I making these surveys more reliable and accurate. In districts where the UPF data is largely inaccurate, the programme will pilot participatory mechanisms for identification of the poor. The specific interventions to be supported by UPF are being developed, and it will be important to focus these on strengthening livelihood opportunities and key service delivery improvements for the poor. The criteria for UPF being developed should prevent emphasis on brick and mortar for infrastructure.

¹ 1990-2000

² The BPL survey provides each GP with a list of households eligible for various poverty alleviation programmes. The political nature of such surveys result in a number of non-BPL households finding a place in these lists, which at times may exclude poor households.

- 3.4.10 Another driver for change is making the institutionalised bottom-up planning process responsive to the voices of the poor and marginalised. Recent legislation has sought to address this by taking decentralisation structures closer to the people by introducing Gram Unnayan Samitis at Gram Sansad, the first tier of planning, and making six sub-committees at the GP level mandatory. This is backed by a process of social mobilisation, which brings civil society organisations to work along side the PRI; a major breakthrough in the politics of the decentralisation process in rural West Bengal. A challenge is to avoid “one-size-fit-all” norm specifically in poorest districts, where capacities of the poor to participate and hold multiple structures to account are limited.
- 3.4.11 An institutionalised framework for poverty monitoring is central for developing evidence based plans and monitoring development outcomes across blocks and districts. Through SRD, the Department’s poverty monitoring framework currently limited to carrying out BPL surveys, will be broad based. The stand-alone surveys will be consolidated to form part of a comprehensive poverty-monitoring framework for the Department. Qualitative studies will be institutionalised to capture the voices of the poor for creating the demand for accountable service delivery. This will be done in collaboration with the Bureau of Applied Economics and Statistics of the Department of Planning and Development and led by a statistician and a participatory monitoring expert as part of the Poverty Monitoring and Evaluations Unit of the programme.
- 3.4.12 In the context of West Bengal, SRD is well positioned as a driver for change. With high-level political commitment to make the process of decentralisation empowering for the poor, this programme can address the structural constraints to poverty reduction.

Financial and Fiduciary Risk Appraisal

- 3.4.13 This section looks at two issues: fiduciary risk and resource mobilisation. Both have been subject to careful risk mitigation measures.
- 3.4.14 **Fiduciary risk:** An independent fiduciary risk assessment of the third-tier of government / PRIs was carried out during the design process – this must have been perhaps the first-ever such assessment of PRIs (there have been fiduciary risk assessments of higher-levels of government in India). The fiduciary risk for the SRD programme has been assessed as high, but there is clear evidence that the ‘direction of travel’ is in the right direction, and GoWB has already taken measures to address these risks. The assessment concluded the risks are high because the PRIs faced the following constraints:
- Budget execution processes are weak and uncertain, as are procurement and purchasing procedures.
 - An inadequate separation of duties exists between the authorisation and recording functions.

- Accounting and auditing records at all levels (especially at PS & ZP) are weak.
- Accountability mechanisms are often not enforced rigorously to have any impact.
- Procedures for the scrutiny of accounts and audit reports by elected representatives are not observed.

3.4.15 A major reason for going ahead with the SRD programme despite the high perceived fiduciary risks is that GoWB appears committed to improving financial management. Evidence for this includes the fact that government officials welcomed the DFID-funded fiduciary risk, as it helped identify the problem and possible improvements. Furthermore, GoWB has accepted the recommendations of the fiduciary assessment on additional mitigation measures to reduce the risks.

3.4.16 The fiduciary risk assessment concludes that with appropriate mitigating strategies designed into the SRD programme and with careful monitoring of risks during implementation, the risks are manageable. Here are the additional measures which GoWB has already implemented, or agreed to implement:

- i. Introduction of a new dedicated post of Executive Assistant in every Gram Panchayat, who is tasked with overseeing financial management;
- ii. Recent instances of penal action taken by GoWB against some Panchayat functionaries for financial irregularities.
- iii. The programme management arrangements for SRD have been kept outside of the mainline government system, providing for additional safeguards to be put in place. The continued case for this would be reviewed during the life of the programme, and when the risk is assessed to be lower efforts would be made to integrate with existing systems;
- iv. Strong tradition of “social audit” through public display of information on financial and other information of village projects. This would strengthen arrangements for strengthening the formal PFMA system;
- v. SRD funds will be released based on plans which meet pre-determined standards;
- vi. SRD funds will also be audited by private auditors, and funds for this have been earmarked in the SRD budget. This would be in addition to standard audit procedures in GoWB;
- vii. The Capacity Building programme was increased in scope during project design to address the fiduciary risks, and strengthen the PFMA by addressing systemic weaknesses in the system;
- viii. Release of Untied Poverty Funds (UPF) is based on fulfilment of requirements of progress with capacity building efforts in addressing fiduciary risks, and proper utilisation of previous tranches;
- ix. Follow-up visits by the consultant on fiduciary risks is taking place;
- x. A second fiduciary risk assessment will take place in Year 4 of the SRD programme, and DFID has the option to scale back or withdraw from SRD in case improvements in financial management are not being achieved;

- xi. The phasing of the SRD programme limits the amounts of funds being committed early;
- xii. Finally, the amount of funds going to each gram sansad is limited at Rs 1 lakh per year (less than £1,500), so the risks are appropriately limited. Effective guidelines on procurement would be developed for PRIs.

3.4.17 Own resource mobilisation. Currently, resource mobilisation at PRI level – through both taxes and fees – is low or negligible. One objective of the SRD programme is to strengthen PRI capacity to raise its own resources to increase sustainability of local public expenditure. To promote such financial sustainability, the programme is financing detailed design work on the options for own resource generation, including development of an action. PRDD is confident of three-fold increase in PRI revenues in a few years, but this would call for sustained efforts, and the SRD programme will be tracking performance. Considering the current low base and increasing popular support for Panchayat self reliance, this seems feasible. The UPF is clearly linked to improved performance in ‘own revenues’, which should provide a further incentive. The 12th Finance Commission (which is a Constitutional body to determine the sharing of resources between the different levels of government in India) is expected to submit its recommendations later this year. Its recommendations would apply for the next five-year period, and the SRD programme will adjust its approach, as appropriate, in accordance with the recommendations of the 12th Finance Commission.

3.4.18 State Finances. Another factor that affects the finances of the PRIs is the health of state government’s own finances. GoWB’s finances are under great stress, and the state has been running some of the highest deficits among Indian states. The revenue expenditure on salaries, pensions and interest costs is more than the state’s own revenue with a result that development spending is being squeezed out. This also prevents the state from transferring resources to the PRIs in accordance with the recommendations of the State-level Finance Commission. GoWB has developed a financing plan for PRIs for the period of SRD (Appendix 3) – this will be reviewed during implementation. It shows that support from SRD will form a smaller share of Panchayat revenues during the life of SRD.

3.4.19 Gol is providing support and incentives for state-level fiscal consolidation, and GoWB is keenly awaiting a new package of measures from the new Union government. GoWB has also taken a number of measures to augment revenue and curtail expenditure; and have approached Asian Development Bank (ADB) and DFID for possible budgetary support to help with fiscal consolidation. These discussions are at a preliminary stage, and whether or not external support becomes available it would be important for GoWB to move towards a sustainable financial position. This is a key risk for SRD, and will be monitored during the course of the programme.

Environmental Appraisal

- 3.4.20 A complex array of potentially positive or negative environmental impacts may arise as a result of the implementation of Panchayat plans, particularly in sectors relating to water and sanitation, the farm sector, industry and infrastructure development. Given that the funds under UPF are untied, it is difficult to predict sector-wise impact on environment. Key issues will be the sustainability of actions proposed and the likely cumulative impacts on natural and environmental resources. Screening criteria for the UPF and ILSF will ensure consideration of likely environmental impacts in selecting interventions, and systems and capacity will need to be developed to mitigate any environmental risks.
- 3.4.21 On the whole, however, it is expected that by promoting participatory planning, SRD will have a positive impact on the environment as specific local concerns including those regarding natural resource planning and utilisation should be addressed. The design is consistent with national-level guidelines that PRIs play an increasingly key role in planning and monitoring participatory natural resource management with the support of line departments.
- 3.4.22 Ten out of eighteen districts in the state are prone to multiple natural hazards. Flooding is a frequent hazard and has occurred during 15 out of the last 23 years. It will therefore be important to review siting, design, technology, and construction of any community, infrastructure to assess vulnerability to natural disaster. Scope exists for co-ordination with the new GoWB/UNDP Disaster Risk Management Programme to integrate Disaster Management Plans into overall PRI Development Plans.

3.5 EVALUATION

- 3.5.1 The SRD programme is based on lessons learnt from relevant experiences in and outside West Bengal. Such lessons are not limited to DFID-funded projects/programmes. GoWB has extensively relied upon their own experiences (starting from 1980s) with participatory planning in several parts of the state, but have not hesitated in learning lessons from elsewhere, particularly Kerala and Madhya Pradesh, which are known for successful allocation of development funds and responsibilities to PRIs.
- 3.5.2 The SRD programme represents the third generation of DFID's rural initiatives in India. It builds on the successful experience of participatory planning and implementation established in the earlier initiatives (details in Annex 1), and has tried to address some of their key limitations, such as inadequate involvement of state governments and PRIs, limited sectoral focus, and ad-hoc project management arrangements, with attendant risks of sub-optimal and less-sustainable benefits from such initiatives.

3.5.3 The following key lessons have been reflected in the programme design :

- Greater impact and sustainability is achieved when institutional development programmes intervene simultaneously at policy, strategy and operational levels, and strengthen and build on existing institutions.
- Ownership and participation by primary stakeholders in identifying, planning and implementing decentralisation and livelihoods strengthening initiatives is essential to programme effectiveness and sustainability.
- Targeting is essential to reach the poorest people – community groups are not homogeneous and a too open ‘agenda’ is subject to domination by less-poor people.
- Targeting should not mean others defining the priorities for the target groups. Targets groups should have the flexibility to use programme resources to meet their needs.
- Social mobilisation is essential to enable the poor and marginalised to participate as well as to ensure that social protection mechanisms reach those who most need them.
- Application of best practices picked up from other places should be sensitive to local contexts.
- Decision-making power must be devolved to where potential contributions for sustainability are greatest.
- Structural constraints to improving poor people’s livelihoods can only be addressed through wider partnerships than traditional sectoral government partnerships.

4. IMPLEMENTATION

4.1 Management Arrangements

4.1.1 Annex 2 describes the management framework for the programme and the roles and relationships of the various components. The programme will be overseen by a small high-level, primarily ministerial, State SRD Steering Committee, chaired by the Chief Minister of West Bengal. The Panchayats & Rural Development Department (PRDD) of Government of West Bengal is already the nodal Department for strengthening rural decentralisation in the state and will be the nodal department for implementation of the SRD Programme to be managed through a State Programme Management Unit and District Programme Management Units. Majority of the activities under the SRD programme will be implemented through the PRIs and their support institutions under supervision of the PRDD. The overall SRD Programme Management Organogram is clearly defined at Annex 2 (Figure 1).

4.1.2 The State Programme Management Unit (SPMU) under the PRDD will manage the SRD programme. An organogram, showing the composition, of the SPMU

and DPMUs to be established in each district as the programme is rolled out in phases, is clearly defined at Annex 2, Figure 2. GoWB personnel who will be permanently assigned at Zilla parishads and panchayat samitis will largely support the DPMUs. There will be Facilitating Teams at each level of panchayats comprising officials drawn from GoWB, panchayats and civil society.

4.2 Timing

- 4.2.1 The project will be effective from the 2004/05 financial year and will run for seven years subject to the outcome of periodic reviews, particularly at end of year two and year four.
- 4.2.2 The Logical Framework and Annex 1 (in particular Figure 2) provide an overview of the timing of key programme activities. Initial plans are for six districts in each phase commencing in year 1, year 3 and year 5. Although activities have been planned on a continuous basis throughout the seven-year period, the end of Year 2 constitutes an important review point, at which the programme will be thoroughly reviewed. Equally important will be a review at the end of year 4 before a significant increase in programme funding is envisaged when the second districts come on stream. The lessons learnt from the experiences of implementation of the programme and evaluation of the achievements on the basis of agreed indicators will influence follow-up actions. At these points the programme design may be modified to the extent necessary, and timing and objectives for a major mid-programme Output to Purpose Review may also be redefined.

4.3 Inputs

- 4.3.1 A total of up to £130 million is recommended for SRD : £128.8 million in financial aid and £1.2 million TC. The UPF will be up to £90m (high case), with a low case scenario of £50m, in case the untied revenues of the PRIs do not improve by the expected level or other performance criteria for use of funds have not been met. The CB / ID plan will be of up to £40 m, subject to successful appraisal of the CB / ID strategy, and effective progress against the performance criteria. As the CB / ID plan will also be linked to performance criteria it will also show a high-case and low-case scenario. An indicative project budget showing expenditure profile against each output can be found at Annex 2. Following the post-design strategic studies there may be slight variations in the financial aid budgets for outputs 1 and 2 but these will remain within the overall aggregate ceiling for these outputs.
- 4.3.2 Approximately one-third of the financial aid support proposed for utilisation for overall capacity development of the PRIs and support institutions (output 1); and pro-poor participatory planning, implementation and monitoring systems including management costs (output 2). The balance of the financial aid

support is proposed for strengthening the livelihoods and improving delivery of basic services to the poorest and vulnerable sections of the society.

- 4.3.3 £1.2m technical cooperation fund has been set aside to fund independent reviews and provide technical assistance in areas where PRDD are unable to source consultants locally. This would be managed by DFID.
- 4.3.4 GoWB inputs will be in kind, especially counterpart and seconded staff time (notably senior officials of State Programme Management Unit and some support staff at district level); staff released for liaison and training, and office accommodation at suitable locations. These apart, 62,000 panchayat members, 30,000 government employees working as development workers under PRDD and other departments, hundreds of CSOs/CBOs and the entire development machinery will be deployed by GoWB in the process of strengthening rural decentralisation.

Flow of Funds

- 4.3.5 SRD programme funds would flow from DFID as grants to GoWB on a reimbursable basis, on receipt of unaudited expenditure claims, to the GoWB's PRDD through the Gol's Ministry of Finance via Additional Central Assistance route. GoWB would first release funds in instalments, based on annual work plans, in favour of the PRDD. So far as the funds meant for training and capacity building of Panchayats is concerned, it will be released directly to Institute of Panchayats and Rural Development (SIPRD), Kalyani by PRDD. The untied funds to the Panchayats will go directly to their bank accounts from the State Govt. based on allocation of funds for each panchayat. All funds to the gram sansads will flow through the gram panchayats. This arrangement will be reviewed after year 1, and in case of any difficulty in smooth and prompt fund flow, revised arrangements may be resorted to.
- 4.3.6 The SRD Programme Director under the PRDD will operate the programme funds jointly with SRD Programme Coordinator and will be accountable to the PRDD, regularity and value for money of the income and expenditure and for proper utilisation of the funds received and allotted for the programme.

4.4 Contracting and Procurement

- 4.4.1 For the financial aid component, contracting and procurement will be undertaken by the SPMU under the supervision of PRDD initially in line with DFID rules. It is envisaged that the detailed study on fiduciary risks and financial management, which will focus on designing interventions to strengthen financial systems including procurement, will come up with a capacity building programme for strengthening PRDD procurement systems. It is expected that when these systems have been adequately strengthened the SPMU will apply these rules.

4.4.2 DFID will manage the TC funds and will procure any technical assistance required using standard DFID procedures.

4.5 Accounting and Auditing

4.5.1 Government of West Bengal will account for the financial aid through normal GoWB mechanism including Annual Audited Statements. In addition there will be separate arrangements for auditing the accounts under the SRD programme. In view of the fiduciary risk assessment, provision has been made to employ private sector auditors on a contractual basis to audit programme expenditure including that on the United Poverty and Innovation Funds to provide an additional safeguard of public funds. The selection of private auditors will be agreed with DFID. A standard audit programme will be developed in co-operation with the office of the principal Accountant General, West Bengal.

4.6 Monitoring

4.6.1 The SRD programme will be monitored at regular intervals by the State SRD Steering Committee chaired by the Chief Minister. The PRDD will frequently monitor the progress of the programme. The SPMU staff as indicated in Annex 2 will do detailed monitoring of the programme at the state level.

4.6.2 At the district level the SRD programme will be monitored at regular intervals by Sabhadhipati (Chairperson) of the Zilla Parishad and the District Magistrate (who is ex-officio Executive Officer of ZP). The Additional Executive Officer of ZP as nodal officer of the SRD programme at the district level, the Sub-Divisional Officer as nodal officer of the SRD programme at the sub-division level and the Sabhapati and the Executive Officer of panchayat samiti at block level will monitor the programme. The multiple Facilitating Teams to be constituted at all levels of panchayat will monitor the progress of the interventions-wise activities at the respective levels.

4.6.3 The programme will be monitored by a DFID Task Manager who will be supported by a multi-disciplinary team. DFID will carry out mandatory annual Output to Purpose Reviews. The frequency and content of joint DFID and PRDD monitoring will be the subject of proposals prepared and agreed during the inception period. This will include joint annual output to purpose reviews. There is a major review planned after Year 2 and Year 4, as explained above. At the end of Year 2 DFID will seek the approval of the Secretary of State to proceed with the programme on the basis of the external evaluation. Primary information for review purposes will be obtained from the programme monitoring system. Since the programme will not be working with all the districts and all the PRIs in such districts simultaneously, those districts and

PRIs not included in a particular phase will be used as control groups for impact assessment.

5. RISKS AND UNDERTAKINGS

5.1 Risks

5.1.1 Summary of Purpose-Level Impact Matrix

The purpose of the programme is to achieve more effective, accountable and pro-poor rural decentralisation. The following eleven risks have been identified in relation to meeting the minimum achievement levels at the purpose level. Annex 8 assesses these in more detail. The following list and table capture the likely probability and impact of these risks :

- 1 The policy and political environment ceases to be suitable for deepening of GoWB decentralisation initiatives, and in implementing the road map.
- 2 Fiscal stress at the state –level makes decentralisation fiscally unsustainable, and constrains GoWB transferring untied funds to PRIs.
- 3 Financial management, accounting and audit systems are unable to manage the SRD programme funds to the expected standards.
- 4 Capacity building efforts do not translate into clear progress in areas of key weaknesses of PRIs.
- 5 Political pressure determines flow of funds without regard to PRI management capacities or plans.
- 6 Public opinions and political will are not sufficiently strong to counter “status quo” vested interests or support a transparent poverty focus.
- 7 PRIs unwilling to raise local taxes or generate revenue through user charges, and poor economic conditions may prevent increased resource mobilisation.
- 8 Line departments and other state level institutions are unwilling or unable to reflect the SRD approach in their plans, or commit front line and other operations staff to integrated support mechanisms.
- 9 Community level participatory processes lead to unmanageable frustration or conflicts, or development of unrealistic plans.
- 10 NGOs/CBOs/CSOs or other agencies with the capacity to assist with social mobilisation as part of the participation cannot be found, or are unable or unwilling to closely work with panchayats.
- 11 Environmental change or natural disasters prevent programme progress.

Probability :	Impact :		
	Low	Medium	High
Low			1
Medium	8,11	4, 5, 9, 10	6, 7
High			2, 3

Numbering refers to risk as listed above.

5.1.2 The programme is assessed as medium risk at the purpose level. As the table in Para 5.1.1 indicates, out of a total of 11 risks, four are judged to be particularly significant with medium or high probability and high impact at the purpose level. These four risk and the relevant mitigating factors/measures are discussed below :

5.1.2.a Public opinion and political will are not sufficiently strong to counter 'status quo' vested interests or support a transparent poverty focus :

- Most of the programme activities are geared towards preventing/minimising elite capture and strengthening capacity to challenge status quo. The following design features are likely to be particularly helpful in this respect : establishment of Gram Unnayan Samiti at the village level as participatory rather than a representative forum; engagement of civil society organisations with poverty expertise to facilitate community mobilisation and voice; poverty targeting in the selection of beneficiary districts, locks, and activities; pro-poor awareness building and capacity building of elected representatives and officials; improved transparency and participatory mechanisms to strengthen accountability of the service providers to the poor.

5.1.2.b The fiscal crisis prevents Government from maintaining current levels or achieving planned increased allocation of untied funds to PRIs :

- The programme will focus on local resource mobilisation. Both the central and state governments in India are taking serious steps to address the state-level fiscal crisis. The 12th Finance Commission (expected to report later this year) is likely to give further fillip to these efforts. The state government has taken a number of measures to address the fiscal crisis by increasing revenue and constraining expenditure. GoWB has also approached ADB and DFID for possible budgetary support to address the fiscal crisis. If the state is not in a position to maintain current levels of expenditure then it has the option of augmenting own revenues of PRIs by revisiting their current tax and non-tax measures. If none of these result in tangible progress then this key risk to the SRD programme will be triggered as fiscal decentralisation would be fiscally unsustainable, and DFID will have to consider the continued case for supporting SRD.

5.1.2.d Financial Management, accounting, and audit systems are unable to manage the SRD programme funds to the expected standard (fiduciary risks) :

- The SRD programme will address this by direct support to improving regulations, rules, information systems and training. A key aspect of the capacity building component of SRD will be to address the fiduciary risks. Key fiduciary risk issues and constraints have been identified through an initial study and GoWB has already taken some steps to address some of the constraints. A follow-on study will spell out further steps to minimise such risks. GoWB has committed itself to implementing recommendations of this study on priority. Private auditors in addition to the standard GoWB audit arrangements will audit the SRD funds.

5.1.3 Programme design addresses the overall risk by including a major review point at the end of the second year, and a mid-term review at a later stage, each of which provides an opportunity to revise, scale-up or down, or redesign an activity. The operational flexibility provided by the programme design increases the programme manoeuvrability and the capacity to deal with the risks. On the whole, although the list of risks is long and daunting, the robustness of the mitigating measures and potential development gains of the programme more than offset the potential threat from the risks.

5.2 Undertakings

5.2.1 The following paragraphs in this section reflect the understanding reached on various GoWB contributions. These will be included in the inter-governmental agreement and reviewed at the end of Year 1, and later as required. In addition, it has been agreed that performance-based financing criteria spelt out in this document (Appendix 2) will provide the basis for continued support under the SRD programme. GoWB agrees that moving from one phase of the programme to the next would be based on achievement of milestones in the table on Page 11 above. GoWB also agrees that any significant changes in the financing plan (Appendix 3) would be factored into decisions on the level of support under SRD.

5.2.2 GoWB will be approving a road map for decentralisation, which will be effectively implemented and will form the basis of SRD support. GoWB will also be taking effective measures (based on the ongoing study) to strengthen PRI revenues. GoWB also undertakes to take effective measures to address fiduciary risk associated with the programme. An important commitment is already a matter of GoWB policy : the continued and expanding budget allocation of untied funds in line with the Tenth Five Year Plan and the Eleventh Finance Commission, by 2005-06 and onwards if not right in the beginning of the programme implementation.

5.2.3 GoWB would also undertake that necessary officials at all levels would be directed and supported to contribute to the development and implementation of the proposed planning processes, as members of Facilitating Teams, opacity builders, or other roles as necessary, and that these roles (once tested and agreed) would become an integral part of their 'normal' work.

5.2.4 Further commitments would be as follows : State SRD Steering Committee would be established; 1 SRD Programme Director, 1 SRD Programme Coordinator, 3 senior Programme Coordinators and 1 Administrative Officer would be placed by GoWB for the SPMU to manage the programme; and other staff would be deployed by GoWB at appropriate levels to support the development of practical livelihoods strengthening activities.

5.2.5 Other contributions from GoWB would be in the form of office accommodation for the programme management units at suitable locations throughout the state. The programme would supply all other administrative resources.

Appendix 2

Criteria for Release of UPF

1. The total untied funds available in the baseline year (2003-04) is Rs 122 crore (£17 million) – Rs 100 crores untied funds provided to PRIs and Rs 22 crores PRIs own revenue. The SRD Programme would disburse the untied funds in three parts, as follows:

- **Part A** will consist of a relatively small amount of funds for piloting the UPF in Years 1 and 2. This would consist of £5 million of the total £90 million untied funds available. A satisfactory evaluation of this pilot programme would be required before disbursing further untied funds. The remaining £85 million would be divided into two equal portions, contingent on different measures of sustainability.
- **Part B** will be disbursed in full provided that the total untied funds available to PRIs from all sources are at least 18 million (i.e. a little higher than the baseline level). This is intended to be a relatively undemanding requirement, and provides assurance to the GoWB that a large part of DFID's untied funds are very likely to be disbursed provided other milestones are met.
- **Part C** will be linked to any increase in the level of untied funds raised from within West Bengal itself above the baseline level of £3 million. "Untied funds from West Bengal" is taken to include both own resources raised by the PRIs and any disbursement of untied funds from the GoWB. During years 3, 4 and 5 of the programme DFID will match any increase in these untied funds from West Bengal one-for-one, subject to a ceiling of £8.5 million (Rs 61 crores at current exchange rates). In year 6, DFID will provide one rupee for every 1.5 rupees increase in the untied funds from West Bengal subject to the same ceiling. And for the final year (year 7) DFID will provide 1 rupee for every 2 rupee increased in own resources from within West Bengal above the baseline.³

2. The conditions attached to Part C are intended to be a more ambitious than that for Part B of the untied funds. However, GoWB believe there is scope to double or treble the level of own resources alone (from £3 million baseline) through both more efficient tax collection and introduction of new taxes. UPF disbursements would be postponed or cancelled in the event that PRIs prove unable to spend the untied resources provided. GoWB will report on the size of unused bank balances of the PRIs every year; if these were to rise substantially new DFID funds would not be disbursed.

³ These trigger are measures in GBP at the current exchange rate.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Part A (Pilot)	2.5	2.5					
Part B			8.5	8.5	8.5	8.5	8.5
Part C			8.5	8.5	8.5	8.5	8.5
Total	2.5	2.5	17.0	17.0	17.0	17.0	17.0

Appendix 3 : Approach to Capacity Building in the SRD programme

Why is capacity building of Panchayat Raj Institutions (PRIs) so vital for improving delivery of services and strengthening accountability ?

1. PRIs have a small complement of poorly trained and low motivated staff. But they are expected to deliver on an expanding and complex mandate, and adopt stronger pro-poor orientation. They have little experience in bottom-up participatory planning, especially involving the poorer and excluded groups. They are also expected to go beyond their current role of provision of basic village infrastructure, to delivering a range of basic services in primary education, primary health, water and sanitation, improving livelihoods and local economic development. Local democracy is also expected to be strengthened by helping local communities / electorate to become more aware of their rights under decentralised governance, and therefore holding PRIs more accountable through the democratic process. Finally, the existing institutions for provision of technical support to PRIs are weak, and need to be strengthened. The Capacity Building (CB) component under SRD therefore becomes crucial in achieving the goal of poverty reduction through effective rural decentralisation.

What are the expected outcomes of the Capacity Building support under SRD ?

2. The SRD programme is expected to work towards outcomes at four different levels – various panchayats would be at different starting positions on a continuum. A building block approach has been used in developing the CB strategy. At a basic level, the PRI system is expected to improve compliance with mandatory procedures and requirements : this will include stronger and transparent systems of financial accounting and audit, planning and procurement systems, and ensuring provision of trained staff with clearer mandates and accountability to undertake these various functions. This would also help address the fiduciary risks. At another level, the PRI system would be strengthened to take on additional responsibilities in managing the untied funds (including in SRD) through improved participatory systems of planning, implementation and monitoring. Besides strengthening the capacity of service providers, the proposed support would also be directed to the primary stakeholders, especially the poor, in order to better equip them to meaningfully participate in the planning and monitoring process. It would also involve community mobilisation efforts as part of the empowerment process.

3. At a third level, based on progress with the first two levels, the PRIs are expected to be more effective performances as agencies of line departments. At present, there is only a rudimentary oversight function assigned to PRIs for several Departmentally provided services. It is possible even within the existing context for the PRIs to do much more in this regard, provided the incentives exist and they are equipped to take on this additional mandate. At a final level, the PRIs need to be equipped to deliver on their new mandates as and when they are provided with this (see paragraph 4 below).

What external factors might impact on this CB strategy ?

4. Three factors (external to SRD) could have a direct impact on the nature of the CB support being provided under the SRD programme. The wider context is expected to evolve, and therefore it is difficult to be specific about the magnitude of likely change and its precise timing. The first is the GoWB 'road map' for deepening decentralisation, which is expected to have a time-bound devolution of funds, functions and functionaries to PRIs. The contents of the road map would directly impact on the nature and level of SRD support, especially for the third and fourth level of capacity building (see above). The second issue is the proposed organisational review of PRIs and other institutions related to the PRIs. This review is expected to examine in greater detail the weakness of different institutions, and the CB strategy should be adaptable to appropriately respond to the findings of the review. Finally, improvement in PRI revenues is an important objective of SRD, and the CB strategy should be able to adjust to actual performance in this regard – significant increases in revenue could warrant higher levels of capacity building support.

What is the scale of the effort and how would SRD prioritise support ?

5. The scale of the effort required across the state is immense. The different levels of PRIs : 17 district-level bodies; over 300 block-level bodies; and over 3,300 village-level bodies. There are also about 45,000 village communities. This implies around 60,000 elected members, 30,000 employees and 45,000 community units. In addition, there are support institutions for PRIs at the state and district level, whose current capacities are weak. SRD will prioritise and sequence its support during the duration of the programme, and it is expected that this would catalyse wider efforts by the state and central governments to cover the full range of target groups.

What would be CB funds pay for ?

6. The SRD CB funds will be used for the following :

- Developing a trained pool of resource persons who will conduct training, facilitate social mobilisation, and provide technical inputs to the PRIs.
- Material for training, raising awareness and focused social campaigns.
- Manuals / guidance materials to help PRIs deliver on their mandates.
- Out of pocket expenses of training and related programmes
- Management Information System
- Programme management and monitoring costs
- Specific thematic analysis to inform the planning process
- Basic infrastructure, IT and establishment costs for the longer-term provision of training (see below).

Some core principles of the CB strategy

7. As mentioned earlier the CB strategy will have to respond flexibly to changes in the wider context, and actual performance. It will also limit the scale of support by prioritizing and sequencing of inputs – by target group and geographically. Most of the infrastructure support will be back loaded, after reviewing the impact of initial investments. And there will be no effort to “saturate” the CB inputs across the state. The key triggers for the low-end and high-end support are set out in the table below, and are linked to the building block approach set out in paragraphs 2 and 3 above. Under the low case scenario support would be provided only for the first two building blocks, will be geographically restricted to the poorer districts, and provide for minimum training infrastructure. These restrictions would be relaxed gradually under the high case scenario subject to impressive progress in the overall environment and in delivering the SRD programme.

	Low-case	High-case
Outcomes	Focus on compliance, participatory planning and the current level of devolution	Inclusion of preparation for greater devolution from line departments
Coverage	Poorest blocks; PRIs receiving untied funds from SRD	Covering a larger part of the state
Cascade approach in delivery of training and support services	Training institutions at the state and regional levels (6 in number). Cascade levels limited	Additional institutions at the district and block levels, as required to fill existing gaps in provision
Inputs	Lower inputs by way of infrastructure and establishment support, detailed studies and IT facilities	
Budget	£20 million	£38.8 million

8. External reviews and decision points in Years 2 and 4 will determine the exact nature and levels of inputs. In the Year 2 review, the roadmap (or the plan for devolution of functions to PRIs) will be appraised and an initial assessment of the performance of the CB strategy (in terms of the quality of development interventions by PRIs) will be undertaken. In Year 4, progress on the implementation of the roadmap will be measured and a more detailed assessment of the CB plans will be undertaken. These will trigger decisions on the content, coverage and the cascade approach of the CB component. The decisions will be made jointly by DFID and GoWB.

Appendix 4: Proposed financing Plan for Panchayats

	2003-04		Y1		Y2		Y3		Y4		Y5		Y6		Y7	
			2004-05		2005-06		2006-07		2007-08		2008-09		2009-10		2010-11	
	Rs. Crore	Million £**	Rs. Crore	Million £	Rs. Crore	Million £	Rs. Crore	Million £	Rs. Crore	Million £	Rs. Crore	Million £	Rs. Crore	Million £	Rs. Crore	Million £
Govt. Programmers (Gol and GoWB shares taken together)	957.20	119.65	1000.00	125.00	1060.00	132.50	1130.00	141.25	1200.00	150.00	1280.00	160.00	1360.00	170.00	1450.00	181.25
11 th /12 th Finance Commission	115.15	14.39	115.15	14.39	120.00	15.00	120.00	15.00	120.00	15.00	120.00	15.00	120.00	15.00	120.00	15.00
United Funds to PRIs from GoWB	36.16	4.52	40.00	5.00	80.00	10.00	140.00	17.50	180.00	22.50	220.00	27.50	250.00	31.25	300.00	37.50
Own Resource of PRIs	48.50	6.06	55.00	6.88	65.00	8.13	80.00	10.00	95.00	11.88	110.00	13.75	120.00	15.00	130.00	16.25
Peoples' Contribution (to be mobilized by Gram Unnayan Semites and Gram Panchayats through Participatory Planning Campaign)	-	-	2.00	0.25	4.00	0.50	8.00	1.00	12.00	1.50	16.00	2.00	20.00	2.50	25.00	3.13
UPF from DFID Part A	-	-	20.00	2.50	20.00	2.50	-	-	-	-	-	-	-	-	-	-
Part B	-	-	-	-	-	-	68.00	8.50	68.00	8.50	68.00	8.50	68.00	8.50	68.00	8.50
Part C	-	-	-	-	-	-	68.00	8.50	68.00	8.50	68.00	8.50	68.00	8.50	68.00	8.50
Total	-	-	20.00	2.50	20.00	2.50	136.00	17.00	136.00	17.00	136.00	17.00	136.00	17.00	136.00	17.00
Total	1157.01	144.63	1232.15	154.02	1349.00	168.63	1614.00	201.75	1743.00	217.88	1882.00	235.25	2006.00	250.75	2161.00	270.13

SRD : PROGRAMME LOGICAL FRAMEWORK

Appendix 1

[Note : Logframe Indicators will remain unquantified until they are developed during Year 1 of the programme.]

SRD : PROGRAMME LOGICAL FRAMEWORK		Appendix 1	
[Note : Logframe Indicators will remain unquantified until they are developed during Year 1 of the programme.]			
Goal/Objectives	Verifiable Indicators	Means of Verification	Important Assumptions
<p>Goal</p> <p>Poverty in rural areas of West Bengal sustainable reduced.</p>	<p>1. Improvement in key human development indicators/HDI.</p> <p>2. Proportion of rural people below the poverty line reduced by at least x%.</p>	<p>1. Official documents; qualitative studies;</p> <p>2. Gol/GoWB Human Development Reports;</p> <p>3. Evaluation of 10th 5year plan.</p>	
<p>Purpose</p> <p>More effective, accountable, and pro-poor rural decentralization in West Bengal.</p>	<p><i>[The following indicators do not exist at the moment, and therefore need to be developed in consultation with GoWB, PRIs and other stakeholders. Developing them could have wider relevance, including outside the state. The success of the SRD programme would be assessed on the basis of the following five indices, which would be developed and baseline figures collected during Year 1.]</i></p> <p>1. Rural Decentralisation Index increased by P% (to be defined to include PRI functions, capacity and resources) by Year X.</p> <p>2. Accountability and Transparency Index for PRIs (to be defined, and would include corruption) increased by Q% by Year X.</p> <p>3. Financial Sustainability Index for PRIs increased by R% by Year X (to be developed based on composite of Output 4 OVIs)</p>	<p>1. As part of the Panchayat M&E system and independent surveys. West Bengal census.</p> <p>2. Other GoWB report and studies Evaluation of 10th 5 Year Plan.</p> <p>3. Human Development Reports.</p> <p>4. Below Poverty Line Surveys, and other surveys.</p>	<p>1. Political and other stakeholders remain supportive of transparent poverty focus.</p> <p>2. Gol policy and legislative context remains suitable to permit deepening of GoWB decentralization initiatives.</p> <p>3. GoWB policy, institutional and political environment remains supportive of decentralization.</p> <p>4. GoWB fiscal situation improves.</p> <p>5. GoWB line departments</p>

¹ Defined as good health, fitness and strength for work, good standard of basic education and skills, assets etc. A basket of key indicators will be determined at inception and assessed from a mix of qualitative and quantitative data.

Goal/Objectives	Verifiable Indicators	Means of Verification	Important Assumptions
<p>Outputs</p> <p>1. Effective preparation and implementation of a roadmap and linked policy actions to deepen rural decentralization.</p>	<p>4. Participation Index (especially including the poor, women, and other disadvantaged people) in panchayat planning/ implementation/ monitoring processes increased by S% by Year X.</p> <p>5. Service Delivery Index (to be worked out) for specified categories of the poor, women, and other disadvantaged people in rural areas improved by T% by EoP.</p> <p>6. Measurable increase/reduction in well being/poverty ¹ for specified categories of the poor, women, and other disadvantaged people in SRD target areas increased by S% by EoP.</p> <p><i>Baseline survey and monitoring systems will be designed to deliver sufficiently specific gender disaggregated monitoring information.</i></p> <p>1.1 Strategic plan for further devolution prepared by GoWB by Y2, with monitorable targets, and supportive legislation and rules by Y4.</p> <p>1.2 Line Dept plans and budgets show higher levels of involvement of PRIs compared to the 2004 baseline.</p> <p>1.3 PRIs report improvements in the level of devolution.</p> <p>1.4 Mechanism established by EoP for convergence of bottom-up PRIs plans with top-down state planning processes.</p>	<p>1.1 GoWB plans; independent appraisals/ surveys.</p> <p>1.2 Review of legislation, govt orders, rules, procedures.</p> <p>1.3 Annual budget outturns; State Finance Commission reports.</p>	<p>supportive or rural decentralization.</p> <p>6. Environmental change or natural disasters are not so large as to significantly undermine progress.</p> <p>(Outputs to Purpose)</p> <p>1. Political resistance to devolution manageable. 2. Improved GoWB finances enables more fiscal devolution. Public opinion & political will remain sufficiently strong to counter 'status quo'. 4. The local body election processes remain conducive to pro-poor decentralisation.</p>

Goal/Objectives	Verifiable Indicators	Means of Verification	Important Assumptions
<p>2. PRIs, line departments and support institutions have the institutional capacities to operate more effectively in their decentralised roles.</p> <p>3. Pro-poor participatory planning, implementation and monitoring systems established across PRIs.</p>	<p>2.1 At least 1,200 Gram Panchayats (GPs) formulate and implement integrated development plans which significantly improve (50% over baseline by EoP) the economic condition of 50% of the poor households by EoP; by Y2, 600 GPs and by Y4, 1,000 GPs finalise plans.</p> <p>2.2 By EoP at least 1,200 GPs report improved service delivery; covering 50% of shortfall, over baseline in</p> <ul style="list-style-type: none"> • Immunization and primary health care delivery • Child nutrition • School enrolment and attendance • Drinking water and sanitation • Other services to be defined in Y1 <p>2.3 By EoP, elected members and officials of at least 1,200 GPs (600 by Y4) report that capacity building support has significantly enhanced their performance, corroborated through primary stakeholder surveys.</p> <p>2.4 Fiduciary risk assessments in Y2 and Y4 show significant reduction in key risks compared to baseline FRA carried out in Y0.</p> <p>2.5 Clients of higher tiers of PRIs and support institutions report at least a 50% improvement in performance of these bodies by EoP.</p> <p>3.1 At least ₹ 230m of untied funding disbursed by EoP to support integrated plans developed by 3,000 GPs; appraisal of at least 1,200 GP plans puts them in the “good” category, reflecting needs of the poor.</p>	<p>2.1 GoWB survey; GP plan documents; PRI plans, annual reviews, programme appraisals.</p> <p>2.2 Primary surveys.</p> <p>2.3 Programme MIS.</p> <p>2.4 Case studies.</p> <p>3.1 GP plan documents; ‘process reports’, reports from facilitating teams; external appraisals.</p>	

Goal/Objectives	Verifiable Indicators	Means of Verification	Important Assumptions
<p>4. Resources enhanced and utilised for pro-poor local development in a cost effective manner.</p>	<p>3.2 By EoP, 90% poor households report adequate knowledge and involvement in preparation, implementation and monitoring of GP plans.</p> <p>3.3 Demand from poor households for services increases; at least 80% poor households participate in one Gram Sansad meeting per year; Each Gram Sansad meeting attended by at least 40% households.</p> <p>3.4 Significant evidence of at least 600 GPs using the participatory plans for accessing additional Go/ GoWB funds.</p> <p>4.1 Resource mobilization by GPs through tax and non-tax measures improves by 100% in Y4 and 250% EoP.</p> <p>4.2 GP assets adequately maintained by at least 1,200 GPs, to sustain non-tax revenues.</p> <p>4.3 Records of resource mobilisation and utilisation properly maintained and publicised.</p> <p>4.4 Appraisal and evaluation of GP plans by Y4 indicate stronger pro-poor orientation than Y1.</p>	<p>3.2 Independent survey, GoWB surveys.</p> <p>3.3 Reports of Gram Sansad meetings; external appraisals.</p> <p>3.4 Case studies.</p> <p>4.1 GP budgets, accounts and reports; external appraisals</p> <p>4.2 GP asset register and maintenance plans. Audit reports.</p> <p>4.3 Case studies.</p>	

<p>ACTIVITIES (For years 1 and 2 only)</p> <p>OUTPUT 1</p> <p>1.1 Implement strategic plan for rural decentralisation, including associated reform measures.</p> <p>1.2 Establish policy forum for integrated planning and action, including convergence of state and panchayat planning.</p> <p>OUTPUT 2</p> <p>2.1 Establish PRI peer network.</p> <p>2.2 Assess capacity and select partner support and capacity building institutions.</p> <p>2.3 Implement comprehensive strategy for capacity building.</p> <p>2.4 Implement recommendations of organizational and institutional review.</p> <p>2.5 Implement recommendations of fiduciary risk study.</p> <p>2.6 Conduct customer user satisfaction surveys on access to government services and schemes.</p> <p>2.7 Conduct PRI perception studies on service delivery from</p>			
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<p>support institutions.</p> <p>2.8 Implement mechanisms to address corruption, transparency and accountability.</p> <p>2.9 Recruit and train trainers and facilitators. Implement Information technology and MIS, FIS and GIS plans.</p> <p>OUTPUT 3</p> <p>3.1 Establish SRD management structures, systems and manuals.</p> <p>3.2 Prepare project management exit/ mainstreaming plan.</p> <p>3.3 Conduct Participatory Poverty Assessments and establish.</p> <p>3.4 HDI/poverty/well being index to guide pro-poor planning and targeting.</p> <p>3.5 Test and evaluate planning, implementation and monitoring methodologies.</p> <p>3.6 Develop manuals and guidelines for planning implementation and monitoring.</p> <p>3.7 Conduct awareness raising, and mass media campaigns.</p> <p>3.8 Ensure planning and monitoring systems are in place (including progress against rural decentralisation plan, capacity</p>			
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<p>building etc.)</p> <p>3.9 Conduct Livelihoods and strategic environmental baselines and assessments.</p> <p>3.10 Develop guidelines for convergence of planning and M&E processes between PRDD and Department of Planning.</p> <p>OUTPUT 4</p> <p>4.1 Implement recommendations of resource mobilisation study.</p> <p>4.2 Conduct awareness raising campaigns on resource mobilisation and livelihood strengthening.</p> <p>4.3 Implement LSF activities in years 1 and 2 in pilot areas and evaluate for scaling up.</p> <p>4.4 Establish proposal review mechanism for Innovation Fund and initiate activities.</p>			
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West Bengal : Strengthening Rural Decentralisation Programme

ANNEXE I

Programme Details

DFID will provide support to Government of West Bengal for its Support to Rural Decentralisation Programme, initially to the extent of £ 9 million over two years. The purpose of the SRD programme is to secure more effective, accountable, pro-poor rural decentralisation. Enhanced capacities of PRIs and redressal of other weaknesses of rural decentralisation in the state will further enhance the chances of the programme effectively contributing to the goal of sustainable reduction in poverty in the rural areas of the state. These limitations and weaknesses will be addressed and the purpose of the SRD programme will be achieved through four interlocking outputs listed in the attached table.

The **four** outputs will be focused on broadly two kinds of activities, which are seen as two programme components:

Capacity Development Component will focus on developing the appropriate policy framework for rural decentralisation. It will also include strengthening the “voice” of the poor people and enhancing “responsiveness” of the PRIs, the support institutions and the relevant line departments.

Untied Poverty Fund meant for direct financial support to the implementation of participatory and pro-poor gram sansad and gram panchayat plans, which will be provided directly to about half of the gram panchayats which are resource-poor and about one-third of the gram sansads which are the poorest; and a competitive Innovations Fund available to a wide range of stakeholders state-wide.

The Panchayat and Rural Development Department, GoWB will draw upon senior government staff as well as recruitment from the open market to form a management team at the state level, with units in each district. The management unit will be located within the West Bengal State Rural Development Agency.

Over the two-year period, it is expected that

- Decentralised participatory planning process is completed in more than 200 GPs and underway in 200 more in six of the most backward district; the plans are drawn up by Gram Unnayan Samitis
- The poor in these GPs derive considerable benefit from the initial stages of implementation of these plans.
- GPs have augmented staff capacity and refined systems to undertake development planning as well as to improve their performance of assigned and mandated functions
- There is increased functional devolution to PRIs and political commitment to a roadmap of further decentralisation
- Own resource mobilisation increases, supplemented by state transfers

- Specific mitigation measures are taken up to reduce fiduciary risk
- Clear action plans have been prepared for the remaining period of possible DFID support for the Capacity Building component and Untied Poverty Fund

At the end of this period, subject to a satisfactory review of outputs and an assessment of proposed outputs of the next 5-year programme period, DFID will consider further support for this programme.

STRENGTHENING RURAL DECENTRALISATION OUTPUT TARGETS FOR THE DFID-SUPPORTED TWO-YEAR PHASE

Output	Targets
Output 1. Effective preparation and implementation of a roadmap and linked policy actions to deepen rural decentralisation	<ol style="list-style-type: none"> 1. Cabinet Committee on rural decentralisation in place and functioning 2. Roadmap agreed (on 3Fs) and approved by Cabinet Committee 3. Legislation Committee formed and functioning; for harmonizing legislation, rules and regulations 4. Transfer of functions of 3 departments; formulation of rules and regulations for specific functions 5. Untied funds Rs.95 crores from GoWB budget and PRIs' own resources
Output 2. PRIs, line departments and support institutions will have the institutional framework and capacities to operate more effectively in their decentralised roles	<ol style="list-style-type: none"> 1. 200 GPs formulate decentralised plans, mainly in 4 districts 2. 200 more GPs initiate plans 3. More than 200 GPs will prepare action plans and demonstrate initial evidence to improve performance with respect to delivery of services such as <ul style="list-style-type: none"> • Immunisation and primary health care • ICDS • School enrolment and attendance • Drinking water • Own civic amenities 4. More than 2000 GUS operate effectively (functional committees formed, regular mtgs, decisions taken, report to GS, preparation of pro-poor plans) 5. An improved accounting system (including the accounts manual) and independent statutory audit established across the state; More than 400 GPs will have budgeting-accounting-recording-reporting systems in place; 100 GPs have computerized accounting systems in place
Output 3. Pro-poor participatory planning, implementation and monitoring systems will be established across PRIs	<ol style="list-style-type: none"> 1. At least 200 GPs present decentralised development plans for funding of which at least 50% receive support following appraisal for pro-poor focus, environmental sustainability and cost-effectiveness 2. Innovating plans developed by GUS/GP/PS/ZP appraised and make the grade; get support from the programme 3. 30% of the poor households (as per the village register) in the target 200 GPs participate in the planning process 4. Effective empowerment of the poor in 400 GPs (to be measured by suitable indicators) 5. More than 1/3rd of the poor households participate in Gram Sansad's meeting in 400 GPs. 6. Each GS meeting will be attended by at least 20% of the GS members in 400 GPs

<p>Output 4. Resources will be enhanced and utilised for pro-poor local development in a cost effective and environmentally sustainable manner</p> <p>Other Outputs</p>	<ol style="list-style-type: none"> 1. GPs own income state-wide increase by 20% over baseline 2. Tax assessment will be completed/updated in more than 50% of the 400 GPs and proportion of assessed tax collected improves by 20% over baseline 3. Records of resource mobilisation and proper utilisation will be maintained and publicized in 400 GPs state-wide, including non-municipal rural agglomerations 4. In case of UPF resources directed at individual beneficiaries, all target beneficiaries will be poor households 5. In case of UPF resources aimed at community-as-beneficiary, more than half of the resources will reach poor households by covering their hamlets/neighbourhood or through self-targeting interventions <p>Capacity Building and Untied Poverty Fund Plans with clear outputs, activities and budgets for the remaining years of the SRD programme are appraised and ready.</p> <p>Ground work underway for preparing for the fiduciary risk assessment in Year 3 of the programme</p> <p>Organisational review of PRDD completed, with clear action plans.</p> <p>Management arrangements for SRD in place and functional.</p>
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